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Testimony of Jeff Sonenstein,
President, Globe Travel Service
before the
(CT) House Committee on Finance, Revenue and Bonding
Monday, March 28, 2011

Chairman Holder and distinguished members of the committee: thank you for the opportunity to testify in opposition to HB 6624.. My name is Jeff Sonenstein, and I am the President of Globe Travel Service in Bristol CT, where I employ 18 people. I am also here representing the American Society of Travel Agents, which represents member agents in the State of Connecticut.

I'm here to urge your strong opposition to HB 6624, a measure which would impose a new tax on travel services by subjecting service fees charged by travel agents and other intermediaries for facilitating hotel bookings to hotel occupancy taxes. By imposing this new tax on travel agent service fees, this dangerous legislation will further burden my small business.

Contrary to what some people believe, it is not easy to be a travel agent. Making a good living in this industry has always required determination, creativity, and persistence. Now more than ever, it is important that agents be nimble and ready to embrace new technologies and new ways of doing business.

You might be surprised to see a traditional travel agent testifying on behalf of what some people have short-sightedly nicknamed "the Expedia bill." During my career, I have seen dramatic changes in the commission structures that travel agents have historically relied on. First, airline commissions declined, then vanished—and now, many cruise companies are trying to reduce their costs by reducing commissions to a minimum.

Many of my fellow agents now seek to emphasize the value they have always provided and are embracing their role as a travel counselor who can provide expert advice to travelers navigating a marketplace that offers an overwhelming number of options and choices. The so-called "consulting fee model" of operating a travel agency is an increasingly popular—and lucrative—way of doing business.

When I meet with my fellow travel agents from across the country, I routinely hear about proposals in other states and cities to tax these and other service fees. These taxes often start out targeting online travel agencies like Orbitz, Expedia, and Travelocity—but they are always written in a way that would subject agency owners like myself to the same tax on our service fees.

As a small business owner, I already have to pay federal and state taxes on the income from any service fees I collect. If I had to pay an additional hotel occupancy tax on these fees, I can tell you with certainty that this double-tax would either force me to change the way I run my business or get out of the business of facilitating hotel stays entirely.

Selling travel is a low-margin business as it is. Paying an additional tax of 5, 10, or 15% on top of the taxes I already pay would be devastating.

Additionally, taxing service fees collected by travel companies creates a disincentive for those companies to spend their valuable resources to bring travelers to Connecticut. Travel agents and intermediaries promote travel to Connecticut through marketing partnerships, online advertising, and other channels, so establishing a new tax on such travel facilitation, means fewer filled hotel rooms, and consequently lower tax revenue.

I would humbly suggest to you that the legislature should be encouraging Connecticut businesses to focus on job creation and growing the state's economy, not having to worry about being blindsided by new taxes.

I respectfully ask that you not follow the lead of other states that have imposed new taxes on services, and respectfully urge you to oppose HB 6624.

Thank you for your time.

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